



MICHIGAN STRATEGIC FUND
S.B. 239

02/20/2007

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FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2006-07 YEAR-TO-DATE	FY 2007-08 GOV'S REC.	CHANGES FROM FY 2006-07 YEAR-TO-DATE	
			GOVERNOR AMOUNT	PERCENT
FTE Positions.....	152.0	152.0	0.0	0.0
GROSS.....	80,479,800	178,650,900	98,171,100	122.0
Less:				
Interdepartmental Grants Received.....	78,600	80,000	1,400	1.8
ADJUSTED GROSS.....	80,401,200	178,570,900	98,169,700	122.1
Less:				
Federal Funds.....	47,687,000	55,430,700	7,743,700	16.2
Local and Private.....	700,000	712,800	12,800	1.8
TOTAL STATE SPENDING.....	32,014,200	122,427,400	90,413,200	282.4
Less:				
Other State Restricted Funds.....	5,000	75,005,200	75,000,200	1,500,004.0
GENERAL FUND/GENERAL PURPOSE.....	32,009,200	47,422,200	15,413,000	48.2
PAYMENTS TO LOCALS.....	9,798,000	4,500,000	(5,298,000)	(54.1)

		FY 2006-07 YTD	FY 2007-08 GOVERNOR	FY 2007-08 SENATE	FY 2007-08 HOUSE	FY 2007-08 CONFERENCE	CHANGES FROM FY 2006-07 YEAR-TO-DATE			
							GOVERNOR	SENATE	HOUSE	CONFERENCE
MICHIGAN STRATEGIC FUND										
1.	Administration	FTE	22.0	22.0			0.0			
	Governor: Economics - \$103,900	Gross	2,451,000	2,529,900			78,900			
	Administrative reduction - (\$25,000)	GF/GP	2,451,000	2,529,900			78,900			
	Senate:									
2.	HR Optimization User Charges	Gross	17,300	17,800			500			
	Governor: Increase - \$500	GF/GP	17,300	17,800			500			
	Senate:									
3.	Job Creation Services	FTE	130.0	130.0			0.0			
	Governor: Reduce Federal funds - (\$300,000)	Gross	17,496,000	17,188,200			(307,800)			
	Sick Leave Payout - (\$91,900)	IDG	78,600	80,000			1,400			
	Administrative reduction - (\$225,000)	Federal	2,508,600	2,430,700			(77,900)			
	Economics - \$309,100	Private	700,000	712,800			12,800			
		Restricted	5,000	5,200			200			
	Senate:	GF/GP	14,203,800	13,959,500			(244,300)			
4.	Jobs for Michigan Investment Program: 21st Cent.	Gross	0	75,000,000			75,000,000			
	Jobs Fund	Restricted	0	75,000,000			75,000,000			
	Governor: Created new line.	GF/GP	0	0			0			
	Senate:									
5.	Michigan Promotion Program	Gross	5,717,500	15,717,500			10,000,000			
	Governor: Increase \$10,000,000	GF/GP	5,717,500	15,717,500			10,000,000			
	Funding for Tourism & Business Marketing									
	Senate:									

			FY 2006-07 YTD	FY 2007-08 GOVERNOR	FY 2007-08 SENATE	FY 2007-08 HOUSE	FY 2007-08 CONFERENCE	CHANGES FROM FY 2006-07 YEAR-TO-DATE			
								GOVERNOR	SENATE	HOUSE	CONFERENCE
MICHIGAN STRATEGIC FUND											
5.	Economic Development Job Training Grants	Gross	9,798,000	8,197,500				(1,600,500)			
	Governor: 16% reduction - (\$1,600,500)	GF/GP	9,798,000	8,197,500				(1,600,500)			
	Changed name to: Upper Hand Training Program										
	Senate:										
6.	Alternative Energy Initiative	Gross	N/A	7,000,000				7,000,000			
	Governor: Created new line item.	GF/GP	N/A	7,000,000				7,000,000			
	Senate:										
6.	Community Development Block Grants	Gross	45,000,000	53,000,000				8,000,000			
	Governor: Increase Federal authority - \$8,000,000	Federal	45,000,000	53,000,000				8,000,000			
		GF/GP	0	0				0			
	Senate:										

MICHIGAN STRATEGIC FUND

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FY 2006-07 Year-to-Date		Section	FY 2007-08			
			<u>Governor</u>	<u>Senate</u>	<u>House</u>	<u>Conf.</u>
GENERAL SECTIONS			Included in General Government bill			
1.	Total state spending and payments to locals	201	201			
2.	Expenditures and appropriations are subject to the Management and Budget Act, 1984 PA 431, MCL 18.1101 to 18.1594	202	202			
3.	Definitions	203	203			
4.	Authorizes Department of Civil Service 1% billing.	204	204			
5.	Describes state hiring freeze.	205	205			
7.	Unless otherwise specified, the fund shall use the Internet to fulfill the reporting requirements of this article. This requirement may include transmission of reports via electronic mail to the recipients identified for each reporting requirement or it may include placement of reports on the Internet or Intranet site.	208	208			
			Unless otherwise specified, the fund shall use the Internet to fulfill the reporting requirements...			
8.	Buy American provision.	209	209			
9.	The chair of the fund shall take all reasonable steps to ensure businesses in deprived and depressed communities compete for and perform contracts to provide services or supplies, or both. The chair of	210	210			
			The director of each department and the chair of the fund			

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the fund shall strongly encourage firms with which the fund contract s to subcontract with certified businesses in depressed and deprived communities for services, supplies, or both.

receiving appropriations in part
1 shall take all reasonable steps to ensure businesses in deprived and depressed communities compete for and perform contracts to provide services or supplies, or both. ~~The chair of the fund~~ **Each director** shall strongly encourage firms with which the fund contract s to subcontract with certified businesses in depressed and deprived communities for services, supplies, or both.

11. Retention of reports	212	Deleted		
12. DIT user charges	213	214		
13. Information technology funds may be established as work projects.	214	218		
14. Limitations on out-of-state travel	217	216 Continued language, removing reference to a specific year and		

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FY 2006-07 Year-to-Date		FY 2007-08			
Section		<u>Governor</u>	<u>Senate</u>	<u>House</u>	<u>Conf.</u>
		changing reference to appropriation subcommittees.			
15.	The fund shall not take disciplinary action against an employee for communicating with a member of the legislature or his or her staff.	219	Deleted		
16.	NEW LANGUAGE (1) In addition to the funds appropriated in part 1, there is appropriated an amount not to exceed \$10,000,000 for federal contingency funds. These funds are not available for expenditure until they have been transferred to another line item in this bill under section 393(2) of the department of management and budget act, 1984 PA 431, MCL 18.1393. (2) In addition to the funds appropriated in part 1, there is appropriated an amount not to exceed \$1,000,000 for state contingency funds. These funds are not available for expenditure until they have been transferred to another line item in this bill under section 393(2) of the department of management and budget act, 1984 PA 431, MCL 18.1393. (3) In addition to the funds appropriated in part 1, there is appropriated an amount not to exceed \$700,000 for private contingency funds. These funds are not available for expenditure until they have been transferred to another line item in this bill under section 393(2) of the department of management and budget act, 1984 PA 431, MCL 18.1393.		1001 Added new language		

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FY 2006-07 Year-to-Date		Section	FY 2007-08			
			<u>Governor</u>	<u>Senate</u>	<u>House</u>	<u>Conf.</u>
17.	Economic Development Job Training Grants (1)Requires that the appropriation to the fund for economic development job training (EDJT) be expended in two categories, business response and employee training grants and identifies allocations for each initiative; allows the fund to reallocate these amounts depending on business demand and economic conditions.	1001 (1)	1002 The language is revised for the Upper Hand Training Program. (1) The appropriation in part 1 to the fund for the upper hand training program is focused on skills businesses need to compete in the 21st century. The majority of the funding is intended to address needs for specific business sectors: life sciences; advanced automotive, manufacturing and materials technology; homeland security; alternative energy; and any other high technology business defined in public act 24 of 1995 as amended. The purpose of this program is to develop a specific skill, identified for a particular business that assists that company to compete in the global			

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FY 2006-07 Year-to-Date		Section	FY 2007-08			
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			economy and to create or retain high- paying for Michigan residents.			
18.	(2)Limits the Fund's administrative costs to \$800,000 of the total grants, and limits grant recipients administrative spending from the grant to 10% of the grant award.	(2)	(2)			
19.	(3)Prohibits spending from amounts appropriated for EDJT grants for the training of permanent striker replacement workers.	(3)	(3) Changed program name to The Upper Hand Training Program.			
20.	(4)Requires that 75% of the EDJT grant funds be awarded to community colleges, a consortium of community colleges, and other applicants allowed by subsection (5).	(4)	(4) Of the total funds appropriated in part 1 for the upper hand training program grants, \$4,500,000 of the funds shall be awarded to community colleges or a consortium of community colleges and other eligible applicants pursuant to subsection (5). Remaining funds may be awarded to any of the entities listed in subsection (5), or businesses which			

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			<u>Governor</u>	<u>Senate</u>	<u>House</u>	<u>Conf.</u>
			create at least 100 new jobs at a single location in a period not to exceed two years form the date of the grant award.			
21.	(5)Lists eligible grant applicants, which consist of a school district, intermediate school district, community college, public or private college or university, nonprofit organization whose primary purpose is to provide education programs or employment and training services or vocational rehabilitation programs or school-to-work transition programs, local workforce development board, the headquarters' of a federal and state-sponsored manufacturing technology centers or a consortium consisting of any combinations of the above.	(5)	(5) Added to eligible applicants “businesses which meet the criteria set in subsection (4)” [for job creation]			
22.	(6)Requires the Fund to publish proposed application criteria, instructions, and forms, and to provide a 2-week comment period before finalization of application criteria.	(6)	(6)			
23.	(7)Specifies application process and minimum application content.	(7)	(7)			
24.	(8) Describes the criteria to be used in the priority of grant awards.	(8)	(8) Added to the priority criteria: (b) Creation and/or retention of high wage and high skilled level jobs within a predetermined time			

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period. If the employer does not create or retain the number of jobs specified within the predetermined time period, the employer shall reimburse the state for the entire grant awarded under this program. The number of jobs created and retained will be verified by the employer via audit after the training is completed.

Subdivision (d) of the priority criteria is deleted.

~~(d) In addition, for the manufacturing competitiveness program, the following criteria will receive priority: strong level of collaboration and cooperation and demonstration of new techniques, systems, and processes of value to the affected companies.~~

(9) Requires that participants in EDJT programs be 16 years of age or older, and not enrolled or

(9)

(9) Participants in EDJT the upper hand

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counted in a school district or intermediate school district.

training program shall be 16 years or older and not enrolled and counted in membership in a school district, intermediate school district, or community college, **or any other program funded with state funding. Any training provider that receives state appropriated funds shall not include in the enrollment data reported for determining state aid any student credit hours or student contact hours for a student who is a participant in the upper hand training program. Exclusions of these students is intended to avoid payment of state aid for the same individuals for whom training costs are paid for through the upper hand training program.**

25. (10) Prohibits grant recipients from charging tuition or fees to program participants except in the case of
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February 26, 2007

(10)

(10)
Changed name to "The

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FY 2006-07 Year-to-Date		Section	FY 2007-08			
			<u>Governor</u>	<u>Senate</u>	<u>House</u>	<u>Conf.</u>
nonprofit organizations, under certain circumstances.			Upper Hand Training program.”			
26.	(11)Requires the business organization to provide a match of 20% of program costs for incumbent worker training, and 30% for the manufacturing response program.	(11)	(11) Replaced with: For training delivered to incumbent workers the employer receiving the benefit of the training shall provide a minimum of 30% of the program costs in matching funds as necessitated by the program.			
27.	(12)Requires grant funds to be spent on a cost reimbursement basis.	(12)	(12)			
28.	(13)Requires grant recipients to allow the Fund or its designee to audit all records concerning and all entities benefiting from the grant, and requires the grantee to reimburse all disallowances found upon audit.	(13)	(13) Retained section and added: Costs disallowed under subsection (8) (b) [clawback provision for employers not achieving stated job increases] based on the employer job creation and retention requirements are not the same as the training costs that are disallowed in this subsection.			

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29.	(14)Requires reports in May and November on EDJT grants; specifies reporting parameters.	(14)	(14) Deleted May report and changed program name.			
30.	(15)Prohibits the use of EDJT grant funds for the startup or subsidization of private liquor distribution.	(15)	Subsection deleted			
31.	(16)Prohibits the use of EDJT grant funds to train an employee who is an officer of a corporation that employs greater than 250 employees.	(16)	(16) Changed name to "The Upper Hand Training program."			
32.	Outlines the parameters of the Michigan Growth Capital Fund to develop the technology business sector in the State; outlines program parameters; requires a report.	1002	1003			
33.	Allows the Travel Administration to collect a fee to cover the cost of materials and processing of products that are requested by the media and others to be appropriated to cover these costs.	1003	1004			
34.	Allows Travel Michigan to receive and expend private revenue related to the use of the "Michigan Great Lakes. Great Times." copyrighted slogan and image. Requires the revenue be appropriated for the marketing of the State as a travel destination.	1004	1005 Added the new state advertising slogans: "The Upper Hand" and "Pure Michigan".			
35.	Requires reports on May 1 and November 1 listing all grants awarded by the Fund or by the Michigan Economic Development Corporation (MEDC); includes minimum information requirement.	1005	1006 Changed language to require a single annual report due on February 15.			

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36.	Subsection (1) requires a report on the activities of the MEDC; lists programs to be included in the report; specifies certain elements to be included in the report.	1006	1007 (1) Revised the report elements. New elements: -Business attraction, retention, and growth -Business services -21st Century investment program -Upper hand training grants Deleted elements: -Michigan business development -Global business development -Small, minority, and disabled business services -Emerging business sectors and roundtables. -Economic development job training grants Community assistance team -Technology tri-corridor		
37.	Subsection (2) specifies January 1 as the due date for the report on the spending and FTEs for the previous fiscal year.	1006	1007 (2) Changed due date to January 15		
38.	As a condition of receiving the funding in Part 1, any interlocal agreement entered into by the fund shall include language which states that if a local unit of	1007	1008		

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government has a contract or memorandum of understanding with a private economic development agency, the Michigan economic development corporation will work cooperatively with that private organization in that local area.					
39. Prohibits the use of appropriations to the Fund or grants to the MEDC to purchase land or options on land unless certain conditions are met.	1008	1009			
40. Prohibits expenditure for premiums or advertising material involving personal effects or apparel including, but not limited to, t-shirts, hats, coffee mugs, or other promotional items, except Travel Michigan.	1009	1010			
41. Subjects unexpended or unencumbered General Fund appropriations to the provisions of the Management and Budget Act. Unless carry-forward authorization has been otherwise provided for; requires that unencumbered funds be used for the same purposes for which funding was originally appropriated.	1010	1011			
42. Requires a public body corporate, as a condition of receiving funding to comply with the Freedom of Information and open meetings acts, to submit to annual audits of financial records, and to submit to annual audits of financial records, and to submit all required reports to the Legislature.	1011	1012			
43. Prohibits staff of the Michigan economic development corporation involved in private fund-raising activities from being a party to any decisions regarding the awarding of grants or tax abatements from the Michigan Strategic Fund, Michigan	1012	1013			

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	economic development corporation, or the Michigan economic growth authority.					
44.	Applies all Core Communities Fund monies to purposes described in the bill; requires a report.	1013	Deleted.			
45.	Dedicates the Michigan Core Communities Fund appropriation to the creation of an urban revitalization infrastructure program for creating new jobs, contributing to economic development, and encouraging private investment in core communities; establishes recipient eligibility, project purpose, and payment criteria; designates the MEDC as the administrative authority and sets limits on administrative funding; requires competitive bid process and establishes selection criteria; designates program as a work project; establishes 4 application periods; limits awards for a single applicant to \$10 million; requires notification of the Legislature prior to awarding of funds; and prohibits use of the funds for projects associated with a gaming facility.	1014	1014			
46.	It is the intent of the legislature that the members of the executive committee of the corporation board of the MEDC be subject to the advice and consent of the senate.	1015	Deleted			
47.	The Michigan economic development corporation shall work with the office of auditor general to implement procedures to annually audit the number of jobs claimed to be created by firms receiving Michigan economic growth authority grants, and all other claims of job creation for which MEDC has provided tax credits or other economic incentives.	1016	Deleted			

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48. The Michigan economic development corporation shall report on the number of individuals it employs with an annual salary of \$80,000.00 or more to the subcommittees, the fiscal agencies, and the state budget office by October 31, 2007. The report shall include the name, the job title, and a description of the duties and responsibilities of al such employees.	1017	Deleted			
49. From the funds appropriated in part 1 for the Michigan promotion program, the Michigan economic development corporation shall contract with a state research university in Michigan to conduct a scientific study of the return of investment of state tourism advertising expenditures. The results of this study shall be reported to the subcommittees, the fiscal agencies, and the state budget office by September 30, 2007.	1018	Deleted			
50. (1) As a condition of receiving the funds appropriated in part 1, the Michigan Strategic Fund shall ensure that the Michigan Economic Development Corporation and the Michigan Strategic Fund promulgates or creates no guidelines, rules, standards, protocols, or other similar mandates that would prevent a firm, which otherwise qualifies for Michigan Economic Growth Authority tax credits, from receiving such credits because the new employees that fill qualified new jobs as defined in the Michigan Economic Growth Authority Act of 1995, 1995 PA 24, MCL 207.801 to 207.810, are leased from a professional employer organization. (2) For purposes of this section a professional employer organization is defined as an organization that provides the management and administration of the human resources and employer risk of another	1019	Deleted			

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entity by contractually assuming substantial employer rights, responsibilities, and risk through a professional employer agreement that establishes an employer relationship with the leased officers or employees assigned to the other entity by doing all of the following:

- (a) Maintaining the right of direction and control of the employee's work, although this responsibility may be shared with the other entity.
- (b) Paying wages and employment taxes of the employees out of its accounts.
- (c) Reporting, collecting, and depositing state and federal employment taxes for the employees.
- (d) Retaining the right to hire and fire employees.

51. **NEW LANGUAGE**

Federal pass-through funds to local institutions and governments that are received in amounts in addition to those included in part 1 and that do not require additional state matching funds are appropriated for the purposes intended. The fund may carry forward into the succeeding fiscal year unexpended federal pass-through funds to local institutions and governments that do not require additional state matching funds.

1020

New language added

52. **NEW LANGUAGE**

(1) From the funds appropriated in part 1 for the Michigan promotion program, \$10,000,000.00 shall be used to accelerate efforts to promote the State's tourism industry and business marketing activities.

(2) The funds are considered work project appropriations and any unencumbered or unallotted funds at year-end shall be carried forward into the succeeding fiscal year. The

1021

New language added

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following is in compliance with section 451a of the management and budget act. 1984, PA 431, MCL 18.1451a:					
(a) The purpose of the funding is to promote the State's tourism industry and business marketing activities.					
(b) The project shall be accomplished by contract or employees employed by the Michigan strategic fund or the Michigan economic development corporation.					
(c) The total estimated cost of the project is \$10,000,000.00.					
(d) The expected completion date is September 30, 2010.					